

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.

AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2012

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INDEPENDENT AUDITOR'S REPORT

January 10, 2014

To the Board of Trustees of
Future is Now Schools: New Orleans, Inc.

We have audited the accompanying statement of financial position of Future is Now Schools: New Orleans, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Future is Now Schools: New Orleans, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of Future is Now Schools: New Orleans, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Future is Now Schools: New Orleans, Inc.'s internal control over financial reporting and compliance.

Hienz & Macaluso, LLC
Metairie, LA

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

Current Assets

Cash and cash equivalents	\$ 170,667
Grants receivable	102,962
Due from Future is Now - National	<u>100,000</u>
Total current assets	<u><u>373,629</u></u>

Total assets	<u><u>\$ 373,629</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ <u>80,155</u>
Total current liabilities	<u>80,155</u>

Total liabilities	<u>80,155</u>
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Net assets

Unrestricted net assets	293,474
Temporarily restricted net assets	<u>-</u>

Total net assets	<u>293,474</u>
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Total liabilities and net assets	<u><u>\$ 373,629</u></u>
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The accompanying notes are an integral part of these financial statements.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues				
Federal grants	\$ 425,665	\$ -	\$ -	\$ 425,665
Contributions and donations	390,463	-	-	390,463
Net Assets Released from Restrictions	-	-	-	-
Total Revenue	<u>816,128</u>	<u>-</u>	<u>-</u>	<u>816,128</u>
Expenses				
Instructional Services				
Regular programs	14,951	-	-	14,951
School administration	102,775	-	-	102,775
Operation and maintenance of plant service	3,799	-	-	3,799
Total Instructional Services	<u>121,524</u>	<u>-</u>	<u>-</u>	<u>121,525</u>
Support services				
Business services	10,000	-	-	10,000
General administration	391,130	-	-	391,130
Total Support Services	<u>401,130</u>	<u>-</u>	<u>-</u>	<u>401,130</u>
Total expenses	<u>522,654</u>	<u>-</u>	<u>-</u>	<u>522,654</u>
Change in net assets	293,474	-	-	293,474
Net assets, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of period	<u>\$ 293,474</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,474</u>

The accompanying notes are an integral part of these financial statements.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating activities	
Change in net assets	\$ 293,474
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in grants receivable	(102,962)
Increase in Due from Future is Now - National	(100,000)
Increase in accounts payable	<u>80,155</u>
Total adjustments	<u>(122,807)</u>
Net cash provided by operating activities	<u>170,667</u>
Net increase in cash and cash equivalents	170,667
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u><u>\$ 170,667</u></u>

The accompanying notes are an integral part of these financial statements.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 – Summary of Significant Accounting Policies

Future is Now Schools: New Orleans, Inc. (the School) was created as a non-profit organization under the laws of the State of Louisiana. The School applied to the Louisiana Board of Elementary and Secondary Education (BESE) to operate a Type 5 charter school and was awarded the charter to operate John McDonogh High School.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

The School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted Net Assets – limited only by the broad limits resulting from the nature of the organization, the environment in which it operates and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements with suppliers, creditors and others entered into by the organization in the course of its business.

Temporarily Restricted Net Assets – assets whose restrictions lapse with the passage of time and/or purpose.

Permanently Restricted Net Assets – assets whose restrictions do not lapse with the passage of time.

Presently, the School has no permanently restricted net assets.

The School also follows the guidance of the *Not-for Profit* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions as a release in temporarily restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Revenues

The School's primary sources of funding are through federal grants, as well as private donations. Federal grants are recorded on a cost reimbursement basis. An accrual is made when eligible expenses are incurred.

Income Taxes

The School is operating under Section 501(c)(3) of the Internal Revenue Code, and is generally exempt from federal, state and local income taxes. Accordingly, no provision for income taxes is included in the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School has considered all unrestricted cash and other highly liquid investments with original maturities of three months or less to be cash equivalents.

NOTE 2 – Cash and Cash Equivalents

As of June 30, 2012, cash consists of demand deposits in a local bank of \$170,667.

NOTE 3 - Concentrations

The School received approximately 76% of its total revenues from two grantors.

The School maintains cash balances at a local bank. The accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, these accounts may exceed the federally insured limits.

NOTE 4 – Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by grantors cannot be determined at this time, although the School expects any such amounts to be immaterial.

NOTE 5 – Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 6 – Board Member's Compensation

Board members are not compensated for their service; therefore a schedule of board members and compensation is not presented.

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 7 – Uncertain Income Taxes

The School adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASC ASC. The implementation of this topic had no impact on the statement of financial position or statement of activities.

As of January 10, 2014, the School has not filed their initial tax return. The School recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The School's tax filings are subject to audit by various taxing authorities. The School's open audit period is 2011. Management has evaluated the School's tax position and concluded that the School has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

NOTE 8 – In-Kind Donations

The School received donated professional services in the amount of \$90,462 during the year ended June 30, 2012. These services are recorded in contributions in the statement of activities.

The School also uses the services of volunteers in conjunction with their activities. The value of these services, which could not be reasonably estimated, is not recognized in the accompanying financial statements due to the unspecialized nature of the services.

NOTE 9 – Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 10, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

January 10, 2014

To the Board of Trustees of
Future is Now Schools: New Orleans, Inc.

We have audited the financial statements of Future is Now Schools: New Orleans, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 10, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Future is Now Schools: New Orleans, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Future is Now Schools: New Orleans, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Future is Now Schools: New Orleans, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying summary schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying summary schedule of findings and questioned costs identified as findings 2012-01 and 2012-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Future is Now Schools: New Orleans, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying summary schedule of findings as items 2012-01 and 2012-02.

Future is Now Schools: New Orleans, Inc.'s response to the findings identified in our audit is described in the accompanying summary schedule of findings. We did not audit Future is Now Schools: New Orleans, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Hienz & Macaluso, LLC

Metairie, LA

FUTURE IS NOW SCHOOLS: NEW ORLEANS, INC.
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Compliance and Internal Control over Financial Reporting

2012-01 Late Submission of Audited Financial Statements

Under Louisiana statute, Future is Now Schools: New Orleans, Inc. was required to have an annual audit of financial statements prepared in accordance with U.S. generally accepted accounting principles and submit it to the Legislative Auditor by December 31, 2012. The organization did not meet the deadline for submitting its annual audit to the Legislative Auditor, resulting in noncompliance with Louisiana laws.

We recommend that the organization establish necessary procedures to ensure that its financial statements are submitted to the Legislative Auditor in accordance with state statute.

Management's Response:

The failure to submit the financial statements to the Legislative Auditor as required by state statute was primarily due to the turnover of financial personnel during the early stages of the school start-up. Management anticipates no further issues in this regard.

2012-02 Accurate and Timely Financial Reporting

Management of Future is Now Schools: New Orleans, Inc. is responsible for developing and maintaining internal controls sufficient to produce accurate and timely financial information. During the course of the audit, we noted several adjusting entries were required to properly record year end accruals. The failure of management to properly record necessary month and year end adjustments greatly increases the risk that a material misstatement of the financial statements will occur and not be detected by management.

We recommend that the organization establish necessary procedures to ensure that they produce accurate and timely financial data sufficient for reporting purposes.

Management's Response:

The failure to properly record the necessary adjustments was primarily due to the turnover of key personnel during the early stages of the school start-up. Management anticipates no further issues in this regard.